

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide limited government – The bill extends by one year, the use of the district average in the compliance calculation for class size reduction requirements. The bill establishes two programs for school construction.

Empower Families – The bill increases the Florida Medallion Scholars award from 75% of tuition and fees to 100% for recipients enrolled in community colleges.

B. EFFECT OF PROPOSED CHANGES:

Slot Machine Tax Revenue

Current Situation

Section 24.121(2), Florida Statutes, requires that debt service payable on bonds issued by the state pursuant to sections 1013.68 (Classrooms First Program), 1013.70 (The 1997 School Capital Outlay Bond Program), or 1013.737 (The Class Size Reduction Lottery Revenue Bond Program), Florida Statutes, shall be payable from, and is secured by a first lien on, the first lottery revenues transferred to the Educational Enhancement Trust Fund each year. Bond covenants for existing Educational Enhancement Trust Fund bond issues under the Classrooms First Program require any new revenue to the Educational Enhancement Trust Fund to include a provision to cover bond debt service, if necessary.

Proposed Changes

The bill specifies that slot machine tax revenue is first used to fund bond indebtedness, if necessary, consistent with current practice.

Regional Consortium Service Organizations

Current Situation

School districts with 20,000 or fewer unweighted full-time equivalent students, developmental research (laboratory) schools established pursuant to section 1002.32, F.S., and the Florida School for the Deaf and Blind may enter into cooperative agreements to form a regional consortium service organization. Each regional consortium service organization shall provide, at a minimum, three of the following services: exceptional student education; teacher education centers; environmental education; federal grant procurement and coordination; data processing; health insurance; risk management insurance; staff development; purchasing; or planning and accountability.

Each regional consortium service organization that consists of four or more school districts is eligible to receive, through the Department of Education, an incentive grant of \$50,000 per school district and eligible member to be used for the delivery of services within the participating school districts.

Proposed Changes

The bill provides that the determination of services and use of such funds shall be established by the board of directors of the regional consortium service organization and the funds shall be distributed to each regional consortium service organization no later than 30 days following the release of the funds to the Department of Education.

Class Size Reduction

Constitutional Requirement

On November 5th, 2002, the electors of Florida approved an amendment to Art. IX, s.1 of the Florida Constitution relating to public education. The constitutional provision requires that the state legislature "shall make adequate provision to ensure that" there are a sufficient number of classrooms by the start of the 2010-11 school year so that a certain number of students is not exceeded in each classroom. The current constitutional provision sets forth the maximum class sizes as follows:

- Prekindergarten through grade 3 may not exceed 18;
- Grades 4 through 8 may not exceed 22; and
- Grades 9 through 12 may not exceed 25.

The constitutional provision further provides that beginning with the 2003-2004 fiscal year, the Legislature shall provide sufficient funds to reduce the average number of students in the classroom by at least two students per year until the maximum number of students per classroom does not exceed the requirement in 2010-2011. The requirements do not apply to extracurricular classes and the costs specifically associated with reducing class size are the responsibility of the state and not the local school districts.

Compliance

The Legislature subsequently enacted Senate Bill 30A (2003) which amended section 1003.03, Florida Statutes, to implement the class size amendment. Section 1003.03(2)(a)(b), Florida Statutes, provides that beginning with the 2003-2004 fiscal year, each school district that is not in compliance with the maximum class size requirements is required to reduce the average number of students per classroom for each of the three grade groups by at least two students per year.¹ Determination of the average number of students per classroom for each of the three grade groups shall be as follows:²

- Fiscal years 2003-2004 through 2005-2006 shall be calculated at district level.
- Fiscal years 2006-2007 through 2007-2008 shall be calculated at the school level.
- Fiscal years 2008-2009, 2009-2010, and thereafter shall be calculated at the individual classroom level.

School districts must consider, but are not limited to, implementing the following options in order to meet the required maximum constitutional class size and the required two student per year reduction:³

- Encourage dual enrollment courses.
- Encourage courses from the Florida Virtual School.
- Require no more than 24 credits to graduate from high school.
- Allow students to graduate from high school as soon as they pass the grade 10 FCAT and complete the courses required for high school graduation.

¹ For purposes of determining the baseline from which each district's average class size must be reduced for the 2003-04 school year, the DOE is required to use data from the February 2003 student membership survey updated to include classroom identification numbers, pursuant to s. 1003.03(2)(c), F.S.

² Currently, the DOE is required to annually calculate each of these three average class size measures based on the October student membership survey.

³ s. 1003.03(3), F.S.

- Use innovative methods to reduce the cost of school construction costs.
- Utilize joint-use facilities.
- Adopt alternative methods of class scheduling, such as block scheduling.
- Redraw school attendance zones.
- Operate schools beyond the normal operating hours.
- Use a year-round school and other non-traditional calendars.
- Review and consider amending any collective bargaining contracts that hinder the implementation of class size reduction.
- Use any other approach not prohibited by law.

The Department of Education (DOE) has interpreted the class size constitutional provision and the above-referenced implementing statute as prohibiting the use of co-teaching or team teaching as a means by which to meet the class-size amendment's requirements relating to number of students per classroom.

Implementation Schedule

Pursuant to section 1003.03(4)(a), Florida Statutes, beginning in the 2003-2004 fiscal year, the DOE reviews compliance with class size reduction and if it is determined that a district has not complied with the statutory requirements for that year, the DOE is required to calculate the amount from the class size reduction operating categorical which is proportionate to the amount of the district's failure to comply with class size reduction. That amount is transferred by the Governor's office from the district's class size reduction operating categorical allocation to the district's fixed capital outlay appropriation to be used to meet the class size reduction requirements. However, the Legislative Budget Commission may approve an alternate amount of funds to be transferred if the Commissioner and the State Board of Education determine that a district has been unable to meet class size reduction requirements despite appropriate efforts to do so.

Beginning in the 2005-2006 school year and each year thereafter, each district identified by the DOE that has not met the class size reduction requirements will be reported to the Legislature and will be required to implement one of the following policies in the subsequent school year: year-round schools; double sessions; rezoning; or maximizing use of instructional staff by changing teacher loads and scheduling of planning periods, deploying school district employees who have professional certification to the classroom, using adjunct educators, operating school beyond the normal operating hours to provide classes in the evening, or operating more than one session during the day.⁴

Beginning in the 2006-2007 school year, the DOE, in addition to its enforcement authority in section 1008.32, Florida Statutes, must develop a compliance plan for each non-compliant district, that must include rezoning for maximum use of space while minimizing additional transportation costs.⁵

Appropriated Funds

As of the 2005-2006 school year, the Legislature has appropriated a total of \$3,752,187,943 toward reduction of class sizes pursuant to the constitutional requirement. Facilities funding was \$783,400,000 of that total while the remaining \$2,968,787,943 has been allocated toward operating expenses. The chart below shows the amount of funding spent on operating and facilities relating to class size:

Year	2003-04	2004-05	2005-06
Operating funds	468,198,634	972,191,216	1,507,199,696
Facilities funds	600,000,000	100,000,000	83,400,000

⁴ s. 1003.03(4)(b), F.S.

⁵ s. 1003.03(4)(c), F.S.

Total	1,068,198,634	1,072,191,216	1,590,599,696
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All of the capital outlay funds, except for \$30 million in 2003-04, were allocated to districts based on the Classrooms for Kids Program, which includes lab schools.⁶ The districts allocations are calculated according to the following formula;

- 25% based on a district's percentage of K-12 base capital outlay FTE,
- 65% based on a district's percentage of K-12 growth capital outlay FTE as specified in section 1013.64(1)(a), Florida Statutes, and
- 10% based on the age of the district's schools according to the formula in section 1013.64(1)(a), Florida Statutes.

The \$30 million in the 2003-04 fiscal year was allocated based on the District Effort Recognition Program.⁷ All school districts in which the voters through referendum have provided local funds for district capital outlay projects are eligible. The following sources of funds are available through referendum to all school districts: half-cent school capital outlay surtax authorized in section 212.055(6), Florida Statutes; participation in the levy of the local government infrastructure sales surtax authorized in section 212.055(2), Florida Statutes; and millage for capital outlay purposes as authorized in section 9, Article VII of the State Constitution. The program provides for calculating the district effort amount, and allocating / distributing funds.

A \$30 million appropriation in the 2005-06 fiscal year, subsequently vetoed by the Governor, was allocated based on the High Growth District Capital Outlay Assistance Grant Program.⁸ The district allocations are calculated according to the following formula;

- the district must have levied the full 2 mills of nonvoted discretionary capital outlay millage authorized in section 1011.71(2), Florida Statutes, and
- 50% of the revenue derived from the 2 mill nonvoted discretionary capital outlay millage for the past 4 fiscal years, when divided by the district's growth in capital outlay FTE students over this period, produces a value that is less than the average cost per student station calculated pursuant to section 1013.72(2), Florida Statutes.
- Districts must have capital outlay FTE students greater than 15,000 students.

Seven districts qualified for the grant and ranked 2nd, 7th, 8th, 9th, 14th, 15th, and 17th statewide, respectively in growth in capital outlay FTE students. Of the top twenty growth districts, ten districts did not qualify due to the two mill revenue and average cost per student station requirement, two districts did not qualify due to not levying the full two mills, and one district did not qualify due to having less than 15,000 students.

District Compliance

The data listed below is taken from the DOE's class size compliance calculations and indicates that since 2002-2003, class size in grades preK-3 has declined from 23.07 to 18.16, in grades 4 through 8 from 24.16 to 20.48, and in grades 9 through 12 from 24.10 to 22.96.

STATEWIDE DISTRICT CLASS-SIZE AVERAGES			
Year	Grades PreK – 3	Grades 4 – 8	Grades 9 – 12
2002-03	23.07	24.16	24.10
2003-04	20.54	22.43	24.06
2004-05	18.98	21.32	23.73
2005-06	18.16	20.48	22.96
Change from	(4.91)	(3.68)	(1.14)

⁶ s. 1013.735, F.S.

⁷ s. 1013.736, F.S.

⁸ s. 1013.738, F.S.

2002-03			
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Pursuant to section 1003.03(4)(a), Florida Statutes, districts not in compliance with class size reduction requirements are subject to a transfer of class size operating funds to a capital outlay category which is proportionate to the district's failure to comply with class size reduction. In the 2003-04 fiscal year, \$1,479,948 was transferred for eight districts; in the 2004-05 fiscal year, \$1,076,719 was transferred for nine districts; and in the 2005-06 fiscal year, \$496,059 was transferred for one district. Noncompliance in fiscal year 2005-06 was limited to grades preK-3.

Proposed Changes

This bill revises the compliance calculation extending by one year the compliance calculation at the district level. The revised schedule is as follows:

- Fiscal years 2003-2004 through 2006-2007 shall be calculated at district level.
- Fiscal year 2007-2008 shall be calculated at the school level.
- Fiscal years 2008-2009, 2009-2010, and thereafter shall be calculated at the individual classroom level.

The bill creates section 1013.734, Florida Statutes, the Class Size Reduction Construction Completion Program, which provides for the allocation of capital outlay funds as appropriated in the General Appropriations Act to be used to provide educational facilities to meet class size reduction requirements by the 2010-2011 fiscal year pursuant to section 1003.03, Florida Statutes. A district school board shall expend the funds received pursuant to this section only to construct or remodel educational facilities. However, a district school board may expend such funds for renovations if it certifies to the Commissioner of Education that the primary purpose of the renovation is to increase capacity. A district school board that certifies to the commissioner that all of the district's instructional space needs for the next 5 years can be met from capital outlay sources that the district reasonably expects to receive during the next 5 years may expend the funds to construct, renovate, remodel, or repair educational facilities that do not result in additional capacity.

Each district school board's share of the annual appropriation for the Class Size Reduction Construction Completion Program must be calculated according to the following formula:

- 60% of the appropriation shall be prorated to the districts based on each district's percentage of K-12 prior year capital outlay full-time equivalent membership.
- 30% of the appropriation shall be based on each district's percentage of K-12 growth capital outlay full-time equivalent membership as specified for the allocation of funds from the Public Education Capital Outlay and Debt Service Trust Fund by section 1013.64(3), Florida Statutes.
- Ten percent of the appropriation shall be allocated based on facility age according to the allocation formula in section 1013.64(1)(a), Florida Statutes, excluding adult vocational technical facilities.

This program is based primarily on base FTE with all districts, except for lab schools, sharing in the appropriation due to the inclusion of base FTE and school building age. Lab schools are not included in the allocation due to the policy of controlled enrollment growth.

The bill creates the Classroom Capacity Assistance Grant Program and specifies that the \$105 million appropriated for classroom construction in section 201.15(1), Florida Statutes, shall be allocated to this program instead of the Classrooms for Kids Program in section 1013.735, F.S., and the High Growth District Capital Outlay Assistance Grant Program in section 1013.78, Florida Statutes. The Classroom Capacity Assistance Grant Program allocations are calculated according to the following formula;

- 70% of the funds based on each district's percentage of K-12 growth capital outlay FTE as determined in section 1013.64(3), Florida Statutes,
- 25% based on each district's percentage of K-12 FTE prior year capital outlay FTE, and

- 5% allocated among the districts based on the age of facilities specified in section 1013.64(1)(a), Florida Statutes.

This program allocates a significant percentage of the appropriation based on growth with all districts qualifying due to the inclusion of base capital outlay FTE and the age of facilities. District size or the status of the capital outlay millage levy authorized in section 1011.71(2), Florida Statutes, are not eligibility criteria for this program. Lab schools are not included in the allocation due to the policy of controlled enrollment growth.

Educational Facilities – Cost per Student Station

Budget Requirements

Funding for educational facilities as addressed in section 1013.60(2), Florida Statutes, requires the Commissioner of Education to annually submit to the Governor and the Legislature an integrated, comprehensive budget request for educational facility construction and fixed capital outlay needs for school districts. In the budget request, items must be identified by priority.⁹

Each district school board is required to adopt a capital outlay budget for the upcoming year, as a part of the annual budget.¹⁰ The board is prohibited from expending any funds on any project that is not included in the budget.¹¹ Prior to adoption of the capital outlay budget, each district school board is required to prepare its tentative district educational facilities plan.¹²

Section 1013.64, Florida Statutes, addresses funds for comprehensive educational plant needs, and provides for specific allocations from the Public Education Capital Outlay and Debt Service Trust Fund (PECO). The Legislature is required to give priority consideration to funds for remodeling, renovation, maintenance, repairs, and site improvement for existing satisfactory facilities for appropriations allocated to district school boards from the total amount of PECO.¹³

Prior to spending funds from PECO or the School District and Community College District Capital Outlay and Debt Service Trust Fund for any ancillary plant or any other new construction, renovation, or remodeling of ancillary space, each district school board is required to meet all educational plant space needs of its elementary, middle, and high schools.¹⁴ Section 1013.64(6)(b)1, Florida Statutes, limits district school boards to specified amounts when using funds from the following for any new construction of educational plant space:

- PECO;
- School District and Community College District Capital Outlay and Debt Service Trust Fund;
- Classrooms First Program funds;
- Effort Index Grant Funds;
- Non-voted 2-mill levy of ad valorem property taxes;
- Classrooms for Kids Infrastructure Program funds; or
- District Effort Recognition funds.

The total cost per student station, when using funds from these sources, are limited to the following:

- \$12,755 for an elementary school;
- \$14,624 for a middle school;
- \$19,352 for a high school.

⁹ s. 1013.60(3)(a), F.S.

¹⁰ s. 1013.61, F.S.

¹¹ Id.

¹² Id.

¹³ s. 1013.64(1)(a), F.S.

¹⁴ s. 1013.64(6)(a), F.S.

Although current law provides that these amounts are annually adjusted based on changes to the Consumer Price Index (CPI), these base amounts have not been adjusted since the year 2002.¹⁵

Construction Costs

According to the Department of Education, construction costs have increased dramatically for district schools. This is partially based on the constitutional class size amendment approved by the voters in 2002. The implementation of the class size amendment requires an increased number of classrooms to be built to accommodate the same number of students. Additionally, construction costs in general have accelerated rapidly in the last few years.

In the summer of 2005, the Department of Education collected data on public school construction over a multi-year period, and applied methodology to calculate the increase in costs due to inflation factors other than those included in the traditional CPI formula. The Department requested information from all school districts, and received data on the rate of overall inflation tied to costs of school construction from Brevard, Hillsborough, Sarasota, and Orange.

As provided in the table below, Brevard County and Hillsborough County reported about a 31% increase and a 23% increase, respectively, over a five-year period.

Sarasota County experienced approximately a 24% increase over two years, and Orange County showed an increase of 32% over three years.

County	Time Period in Years	Approximate Overall Percentage of Increase in Inflation
Brevard	5	31.60
Hillsborough	5	22.92
Sarasota	2	24.32
Orange	3	32.26

As these figures reflect the total increase in inflation, including that already represented in the CPI, the Department adjusted these amounts down by the 13.23% credited to the CPI. The Department additionally weighted the average of the percent of classrooms needed, to reflect the accurate proportion of elementary to middle to high schools. In its final analysis, the Department recommended the following maximum amounts as the total cost per student station:

- Elementary School: \$17,952;
- Middle School: \$19,386; and
- High School: \$25,181.

Proposed Changes

School construction costs have risen significantly in recent years and student station costs exceed, in most instances, those listed in statute. School Boards have provided the Department of Education justification for the increased costs. This bill updates the maximum fixed cost per student station from the 2002 adjustment currently provided in statute. Although the cost per student station is tied to the Consumer Price Index, this adjustment reflects the finding that the sudden increase in costs for construction materials in this state is not sufficiently captured in the CPI. Additionally, these figures account for the increased cost of construction due to the expected implementation of the class size

¹⁵ Id.

amendment. This bill is expected to adjust cost per student station at a rate that keeps pace with the recent and significant increase in cost of construction.

Florida Medallion Scholars

The Florida Bright Futures Scholarship Program is a lottery-funded scholarship program created by the 1997 Legislature to reward Florida high school graduates who merit recognition of high academic achievement and enroll in a degree program, certificate program, or applied technology program at an eligible Florida postsecondary institution. A student must initiate use of his or her scholarship within three years of high school graduation and may receive the scholarship for seven years following high school graduation.

The Bright Futures Scholarship Program is an “umbrella” program providing three types of scholarships: the Florida Academic Scholarship, the Florida Medallion Scholarship, and the Florida Gold Seal Vocational Scholarship. General eligibility criteria, initial eligibility criteria, and renewal criteria are set forth in statute.

The award amount for a Bright Futures scholarship is prescribed in statute as a percent of tuition and fees at a public postsecondary institution. Recipients of the Florida Medallion Scholarship receive the equivalent of 75% of the cost of tuition and fees at a public postsecondary institution.

According to the Office of Student Financial Assistance End-of-Year Report for 2004-2005, a total of \$176 million dollars was provided to 102,741 student recipients of a Florida Medallion Scholarship; the average award amount equaling \$1,716 per student. From this total, \$21.5 million dollars were awarded to the 21,970 community college students receiving a Florida Medallion Scholarship, for an average award amount of \$980 per student.

Proposed Changes

The bill amends the award amount for Florida Medallion Scholars attending a community college to equal the amount required to pay 100 percent of tuition and fees for the college credit courses leading to an associate degree. The bill includes paying 100 percent of tuition and fees for Florida Medallion Scholars already enrolled in a community college. The projected cost per credit hour for community colleges and lower level universities courses is \$67.66 and \$107.23 respectively.

Since most students will have already committed to an institution at the time the bill becomes law, no change in behavior is expected the first year. The projected cost for the first year is a little over \$9 million. If 15% of medallion scholarship recipients that would have gone to a university attend a community college instead, the cost would only be a little over \$3 million. The House of Representatives Proposed General Appropriations Bill, PCB FC 06-01, includes \$10 million for the additional cost. It is projected that over time more medallion scholarship recipients will attend a community college and the state will experience a cost savings in the due to this policy.

Florida Education Finance Program

Outline of Funding Formula

The Legislature enacted the Florida Education Finance Program (FEFP) in 1973. Part II of Chapter 1011, Florida Statutes, addresses funding for school districts. The purpose of the FEFP is to legislate school funding uniformity by providing each student in the public school system with those programs and services specific to his or her educational needs. The Legislature provides an FEFP formula that matches state dollars with local effort funding, as reflected in millage rates. To accomplish the goal of equity, the FEFP formula includes the following items:

- Local property tax bases;
- Education program costs;

- Costs of living; and
- Costs for equivalent educational programs due to sparsity and dispersion of student population.

The FEFP is the primary method used to calculate operating costs of public schools. The policy behind the FEFP is to base financial support for education upon the individual student participating in a particular educational program rather than upon the numbers of teachers or classrooms. FEFP funds are generated by multiplying the number of full-time equivalent (FTE) students in each of the funded educational programs by cost factors to obtain weighted FTEs. Weighted FTEs are then multiplied by a base student allocation and by a district cost differential in the major calculation to determine base funding from state and local FEFP funds.

The program cost factors serve to assure that each program receives its equitable share of funds in relation to its relative cost per student. Through the annual program cost report, districts have reported the expenditures for each FEFP program. The cost per FTE student of each FEFP program has been used to produce an index of relative costs with the cost per FTE of Basic, Grades 4-8, established as the 1.000 base. As of 2000-2001, exceptional students who previously would have been classified in Support Levels 1, 2, and 3 are funded at the appropriate Basic Program weight for their grade level. These students are reported separately in FTE surveys in the applicable Basic Program "with ESE services." Additional funding for these students is provided by the ESE Guaranteed Allocation component.

Multiplying the FTE students for a program by its cost factor produces "weighted FTE." This calculation "weights" the FTE to reflect the relative costs of the programs as represented by the program cost factors. Program cost factors established for use in 2005-06 are as follows:

	2005-06 Cost Factors
(1) Basic Programs	
• 101 - Kindergarten and Grades 1, 2, and 3	1.018
• 102 - Grades 4, 5, 6, 7, and 8	1.000
• 103 - Grades 9, 10, 11, and 12	1.113
(2) Programs for Exceptional Student Education	
• 111 - Kindergarten and Grades 1, 2, and 3 with ESE Services	1.018
• 112 - Grades 4, 5, 6, 7, and 8 with ESE Services	1.000
• 113 - Grades 9, 10, 11, and 12 with ESE Services	1.113
• 254 -Support Level 4	3.818
• 255 - Support Level 5	5.190
(3) 130 - English for Speakers of Other Languages	1.318
(4) 300 - Programs for Grades 9-12 Career Education	1.193

To provide for the planned use of FEFP funds, the Legislature has established the following combination of programs during the 180-day regular school year and summer school:

<u>Group</u>	<u>Program Group Title</u>
1	Basic Education Programs
2	Exceptional Education for Support Levels 4 and 5 English for Speakers of Other Languages Grades 9-12 Career Education Programs

Only Department of Juvenile Justice students and students who have completed credit through the Florida Virtual School are eligible for funding through summer school FTE reporting.¹⁶

Weighted FTE Cap

Program Group 2 has an enrollment ceiling (cap) that is established based on each district's estimates (as modified by legislative policy) of FTE in each FEFP program. District estimates are reviewed and approved by a state enrollment estimating conference. The appropriated FTE in each program is multiplied by the program's cost factor. The resulting weighted FTE, aggregated by program group, establishes the group cap. The cap is increased for weighted full-time equivalent student membership from the prior year for clients of the Department of Children and Family Services and the Department of Juvenile Justice. After actual FTE is reported, Group 2 FTE in excess of the cap are not eligible for funding. A cap of 416,649.10 weighted FTE was calculated for Group 2 for the 2005-06 FEFP third calculation, which resulted in 3,345.06 weighted FTE over the enrollment ceiling. When dividing by the basic cost factor, there are 2,106.09 unweighted FTE that are not eligible for funding. There is no enrollment ceiling for Group 1.

Besides the base funding allocation, other primary allocations are the Supplemental Academic Instruction Allocation and the Exceptional Student Education Guaranteed Allocation.¹⁷

Local Contribution

Local revenue for funding school operation within the FEFP is derived exclusively from property taxes. The procedure for determining each school district's share of the state total required local effort is set out in statute.¹⁸ This process begins with the specification by the Legislature the local ad valorem revenue to be collected. The Department of Revenue certifies the taxable value to the Commissioner of Education in July. The district millage rates are generally determined by dividing the dollar amount of required local effort by 95% of the aggregated taxable value for school purposes of all districts. The millage rates among the districts vary due to the use of assessment ratios intended to equalize the effect on the FEFP of the differing levels of property appraisal in the counties. Individual district rates are then adjusted so that no district generates more than 90% of the revenue generated by the FEFP. Based on the 2005 tax roll provided by the Department, the Commissioner of Education certified the required millage of each district on July 13, 2005. Certifications for 59 of 67 districts varied from 5.501 mills to 4.876 mills due to the use of assessment ratios. The average for the state was 5.239 mills.¹⁹

A final tax roll, following certification by the Department of Revenue, is submitted no later than September 1st and is used in the final FEFP calculation for the fiscal year. Adjustments to the final taxable value are authorized where a school receives an overallocation or underallocation due to assessment roll changes.

Florida Virtual School

Section 1002.37, Florida Statutes, establishes the Florida Virtual School and provides for its governance.

The Virtual School provides courses for students in grades 9 through 12 through electronic means. Public school students can take courses offered through the Virtual School concurrently with courses taken while enrolled in a public school. Section 1002.37(2), Florida Statutes, authorizes the Florida Virtual School to administer the local school funds derived from its activities, accrue supplemental

¹⁶ s. 1011.62(1)(c)2., F.S.

¹⁷ 2005-06 Funding for Florida School Districts, Statistical Report, Florida Department of Education (EIAS Series 2005-2006, p.1.)

¹⁸ s. 1011.62, F.S.

¹⁹ Florida Department of Education, supra note 1, at 2.

revenue from supplemental support organizations, and establish franchise agreements with district school boards.

The Virtual School is funded in the Florida Education Finance Program with funding based on credit successfully completed. Section 1011.61(1)(c), Florida Statutes, provides that a Florida Virtual School full-time equivalent student shall consist of six full credit completions in specified courses and that credit completions can be a combination of either full or half credit.

Effect of Proposed Changes

The bill amends the Group 2 enrollment ceiling by funding all program FTE in excess of the group 2 cap at a weight of 1.000. The FTE in excess of the enrollment ceiling in the 2005-06 FEFP third calculation are 2,106.09 FTE. This excess FTE generates \$7,689,617 in additional 2005-06 funds for 26 districts, when multiplying the FTE in excess of the cap by the Base Student Allocation of \$3,742.42 and by the District Cost Differential.

The bill deletes obsolete language related to the establishment of a minimum enrollment ceiling for adult programs.

The bill amends section 1011.62(2), Florida Statutes, providing 0.114 bonus FTE for each FTE reported by the Florida Virtual School. The 2005-06 FTE reported by the Florida Virtual School is 4,565.32 FTE. The bonus adds \$1,947,729 in 2005-06 funding (4,565.32 times .114 times the Base Student Allocation of \$3,742.42 times the District Cost Differential of 1.000). For 2006-07, the projected FTE of 5,966.66 generate \$2,545,594 in additional funds when using the same methodology.

The bill provides various changes in the calculation of the local effort portion required for the Florida Education Finance Program, to reflect current practice.

- The bill requires the Department of Revenue to certify to the Commissioner of Education the total of the prior year final taxable value for school purposes in each school district as well as the total for all school districts in the state, on September 1st of each year.
- The bill clarifies that the amount certified on September 1st is to be the final taxable value for school purposes for that year. Regarding a finding of an underallocation or overallocation due to an assessment roll change, this bill clarifies that an adjustment to correct the error is authorized only when the assessment roll change is required by final judicial decision. Therefore, a final judicial decision constitutes grounds for modification even after the September 1st deadline has passed.
- In referring to a duty of the Commissioner of Education, section 1011.62(4)(a)2., Florida Statutes, incorrectly cross-references a section relating to a duty of the Department of Revenue. This bill corrects the cross-reference.

C. SECTION DIRECTORY:

Section 1. Amends section 201.15, F.S., specifying that the \$105 million appropriation shall be distributed according to the Classroom Capacity Assistance Grant Program in lieu of \$75 million based on the Classrooms for Kids Program and \$30 million based on the High Growth County District Capital Outlay Assistance Grant Program.

Section 2. Amends section 201.15, F.S., effective July 1, 2007, specifying that the \$105 million appropriation shall be distributed according to the Classroom Capacity Assistance Grant Program in lieu of \$75 million based on the Classrooms for Kids Program and \$30 million based on the High Growth County District Capital Outlay Assistance Grant Program.

Section 3. Amends section 201.15, F.S., specifying that slot machine tax revenue shall first be used to service bond debt, if necessary before being used to fund other programs.

Section 4. Amends section 1001.451, F.S., specifying that the Board of Directors of a regional consortium service organization shall determine the use of funds and providing a deadline for which funds shall be distributed to the regional consortium service organization.

Section 5. Amends section 1003.06, F.S., delaying by one year the implementation of the school level average class size calculations.

Section 6. Amends section 1009.535, F.S., increasing the Florida Medallion Scholars award within the Bright Futures Program from 75% to 100% of tuition and fees for students enrolled in community colleges.

Section 7. Amends section 1011.62, F.S., codifying current practice by providing a single fixed date for Department of Revenue certification of the final taxable value; clarifying that assessment role changes due to a final judicial decision are incorporated into the calculation of the Florida Education Finance Program; authorizing funding a weight of 1.00 the FTE over the Group 2 enrollment ceiling; and authorizing additional FTE for the Florida Virtual School.

Section 8. Amends section 1013.64, F.S., updating the fixed cost per student station and deleting the requirement that moneys distributed to the Public Education Capital Outlay and Debt Service Trust Fund pursuant to section 201.15(1)(d), F.S., to fund the Classrooms for Kids Program created in section 1013.735, F.S., and the High Growth County District Capital Outlay Assistance Grant Program created in section 1013.738, F.S., shall be distributed as provided in those programs.

Section 9. Creates section 1013.734, F.S., creating the Class Size Reduction Construction Completion Program, specifying a distribution methodology, specifying program requirements, and specifying the use of the funds.

Section 10. Amends section 1013.738, F.S., deleting from statute the requirement that the appropriation to the Public Education Capital Outlay and Debt Service Trust Fund, pursuant to section 201.15(1), F.S., and to the High Growth District Capital Outlay Assistance Grant Program be distributed as provided by the respective program.

Section 11. Creates section 1013.739, F.S., creating the Classroom Capacity Assistance Grant Program, specifying a distribution methodology, specifying program requirements, and specifying the use of the funds.

Section 12. Provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

See "FISCAL IMPACT ON LOCAL GOVERNMENTS."

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

3. Revenues:

The Class Size Construction Completion Program allocation formula allocates 60% of the funds on base FTE, whereas the Classrooms for Kids allocation formula allocates 25% of the funds on base FTE and a larger portion on growth in capital outlay FTE. However, 2006-07 district allocations of the Class Size Construction Completion Program are not known at this time and will be calculated upon the availability of the 2005-06 capital outlay FTE, which will be late summer of 2006. The Florida House of Representatives Proposed General Appropriations Act, PCB FC 06-01, appropriates \$1.1 billion for this program.

The Classroom Capacity Completion Program allocation formula allocates 70% of the funds based on growth with the remaining funds allocated on base FTE and age of facilities. Because a portion of the funds are allocated on base FTE and age of facilities, all districts will receive an allocation. The 2006-07 district allocations for this program are not known at this time and will be calculated upon the availability of the 2005-06 capital outlay FTE, which will be late summer of 2006. The Florida House of Representatives Proposed General Appropriations Act, PCB FC 06-01, appropriates \$105 million for this program.

The bill increases the Florida Medallion Scholars award within Bright Futures from 75% to 100% for students enrolled in community colleges. This policy is expected to increase program costs by a little over \$9 million in the 2006-07 fiscal year, assuming there is no shift in enrollment from the state university system to community colleges. The House of Representatives Proposed General Appropriations Bill, PCB FC 06-01, includes \$10 million for this projected increase. However, it is probable that the policy will cause a shift in lower level enrollment from the state university system to community colleges. In the event 15% of lower level state university system students shift to community colleges, the projected cost decreases to a little over \$3 million. A large shift in students in future years coupled with increased tuition, could result in a cost savings in state funds. The House of Representatives Proposed General Appropriations Bill, PCB FC 06-01, includes \$10 million for this projected increase.

The bill increases state funding for the 2005-06 Florida Education Finance Program by \$9.6 million (\$1.9 to the Florida Virtual School and \$7.7 to twenty-six districts to fund over the Group 2 cap at 1.00). The \$7.7 million will be paid from the \$145 million excess 2005-06 FEFP funds. The future fiscal impact of this policy is unknown; however, it could be significant.

The inclusion of an additional weight of 0.114 for each FTE reported by the Florida Virtual School is projected to provide the Florida Virtual School with \$1.9 million in the 2005-06 fiscal year and \$2.5 million in the 2006-07 fiscal year.

School construction costs have risen significantly in recent years and student station costs exceed, in most instances, those listed in statute. School Boards have provided the Department of Education justification for the increased costs. This bill updates the maximum fixed cost per student station from the 2002 adjustment currently provided in statute. Because districts are constructing schools at the market cost, this bill does not impact the cost of school construction.

The bill specifies that the use of the funds received by a regional consortium service organization from the Department of Education for the purpose of providing services to school districts shall be determined by the Board of Directors of the regional consortium service organization. The bill establishes a deadline for which the funds shall be distributed to the regional consortium service organization.

1. Expenditures:

See "FISCAL IMPACT ON LOCAL GOVERNMENTS."

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill does not appear to have a fiscal impact on the private sector.

D. FISCAL COMMENTS:

The bill redirects the \$105 million appropriated in section 201.15(1), F.S., for school districts with FTE student growth, from the Classroom for Kids Program and the High Growth County District Capital Outlay Assistance Grant Program to the Classroom Capacity Assistance Grant Program.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require a city or county to spend funds or to take any action requiring the expenditure of funds.

The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

The bill does not reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

The Fiscal Council amended the bill on March 30, 2006. The amendment specifies that the use of the funds received by a regional consortium service organization from the Department of Education for the purpose of providing services to school districts shall be determined by the Board of Directors of the regional consortium service organization. The deadline for distribution of the funds shall be no later than 30 days after the release of the funds to the Department of Education.